

Message Text

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ORIGIN OPIC-12

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OPIC/P:MMAYS

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TO AMEMBASSY CAIRO IMMEDIATE

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E.O. 11652: N/A

TAGS: EINV

SUBJECT: OPIC AND SUEZ CANAL DREDGING

REF: (A) CAIRO 5739; (B) CAIRO 6133; (C) CAIRO 6432

1. OPIC WILL NOT BE ABLE TO COMMIT ITSELF TO INSURE A CONTRACT TO DEEPEN THE SUEZ CANAL WHICH MIGHT BE AWARDED TO C.F. BEAN CORP. PRIOR TO THE END OF AUGUST WHEN IT IS ANTICIPATED THAT THE GOE WILL MAKE A SELECTION OF A CONTRACTOR. THE APPROVAL OF OPIC'S BOARD IS REQUIRED FOR ALL PROJECTS IN EXCESS OF U.S. DOLLARS 25 MILLION AND THE BOARD CANNOT GIVE ITS APPROVAL UNTIL IT HAS REVIEWED THE CONTRACT TO BE INSURED. IT IS OPIC'S UNDERSTANDING THAT AFTER THE GOE SELECTS A CONTRACTOR ON OR BEFORE AUGUST 31, THE TWO PARTIES WILL THEN NEGOTIATE THE SPECIFIC TERMS OF THE CONSTRUCTION

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CONTRACT. AS SOON AS THE SUBSTANTIVE PROVISIONS OF THE

CONSTRUCTION CONTRACT ARE KNOWN, OPIC CAN ISSUE AN INSURANCE BINDER IF OPIC'S BOARD APPROVES.

2. THE AMERICAN EMBASSY, HOWEVER, CAN TELL DEPPRIMIN HEGAZI AND OTHER INTERESTED PERSONS: (1) BEAN IS AN ELIGIBLE U.S. CONTRACTOR FOR OPIC INSURANCE, (2) A REGISTRATION LETTER HAS BEEN ISSUED BY OPIC TO BEAN (WHICH MEANS THAT OPIC'S MANAGEMENT PERCEIVES NO REASON ON THE FACE OF BEAN'S APPLICATION TO DENY INSURANCE), AND (3) THAT OPIC'S MANAGEMENT -- AT THIS TIME WITH THE LIMITED INFORMATION PRESENTLY AVAILABLE -- HAS A POSITIVE ATTITUDE TOWARD INSURANCE OF THE PROJECT. BUT, IT SHOULD BE EMPHASIZED THAT OPIC'S MANAGEMENT WILL CAREFULLY SCRUTINIZE THE CONSTRUCTION CONTRACT WHEN DRAFTED BEFORE RECOMMENDING TO ITS BOARD WHAT ACTION SHOULD BE TAKEN.

3. BEAN HAS INFORMED OPIC THAT IT HAS NOT BEEN SUCCESSFUL TO DATE IN ARRANGING ANY USG FINANCING FOR DEEPENING THE SUEZ CANAL. BEAN INTENDS TO CONTINUE ITS EFFORTS IN THIS REGARD, ESPECIALLY TO OBTAIN AT LEAST U.S. DOLLARS 15 MILLION IN CONCESSIONAL FINANCING AS A COUNTER-BALANCE IN PART TO THE JAPANESE OFFER.

4. BEAN HAS BEEN INFORMED THAT THE FOREIGN EXCHANGE COMPONENT OF THE JAPANESE BID IS ABOUT U.S. DOLLARS 10 MILLION LESS THAN BEAN'S. BEAN WOULD LIKE TO EXPLORE POSSIBILITY OF USG AGREEMENT TO BUY EXCESS EGYPTIAN POUNDS IF IT SHIFTS SOME OF THE FOREIGN EXCHANGE COMPONENT OF ITS BID TO EGYPTIAN POUNDS. IN PRELIMINARY DISCUSSIONS WITH TREASURY, BEAN HAS NOT, REPEAT NOT, BEEN ENCOURAGED THAT USG WOULD COMMIT ITSELF TO THE PURCHASE OF ANY POSSIBLE EXCESS EGYPTIAN POUNDS.

5. JIM BEAN, PRESIDENT OF C.F. BEAN CORP., MAY COME TO CAIRO WITHIN A WEEK TO CONTINUE NEGOTIATIONS. KISSINGER

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